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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 AGRE-00 /081 W

-----291035Z 109080 /13

R 290936Z JAN 77

FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 6275

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

USMISSION EC BRUSSELS

AMEMBASSY BUCHAREST

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E.O. 11652: N/A

TAGS: EGEN PL

SUBJ: ECONOMIC RESULTS FOR 1976: GOOD NEWS DOMESTICALLY (EXCEPT
FOR AGRICULTURE), BAD NEWS INTERNATIONALLY

1. SUMMARY: THE JUST-RELEASED POLISH ECONOMIC STATISTICS FOR 1976
CONTAIN GENERALLY GOOD NEWS ON THE DOMESTIC FRONT AND SOMEWHAT
DISCOURAGING NEWS ON THE INTERNATIONAL TRADE SIDE. ON THE PLUS
SIDE: (A) NATIONAL INCOME WAS UP BY 7.5 PERCENT; (B) INDUSTRIAL
PRODUCTION INCREASED BY 10.8 PERCENT; (C) PRODUCTION OF ALMOST
ALL CONSUMER GOODS ROSE SHARPLY; (D) PRODUCTIVITY INCREASES RAN
MUCH HIGHER THAN EXPECTED, AND (3) INVESTMENT OUTLAYS WERE HELD
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TO ONLY A 3.5 PERCENT RISE. ON THE NEGATIVE SIDE: (A) AGRICUL-
TURAL PRODUCTION DROPPED BY 0.8 PERCENT; (B) THE PIG POPULATION
FELL BY 22.5 PERCENT, (C) PERSONAL EXPENDITURES GREW AT A FASTER
RATE THAN MONEY INCOMES UNTIL THE LAST QUARTER AND FOR THE YEAR
AS A WHOLE; AND (D) THE HARD CURRENCY TRADE DEFICIT WAS ALMOST
10 PERCENT GREATER THAN TPU LARGE 1975 DEFICIT OF \$3.0 BILLION.
END SUMMARY.

2. INCOME. NATIONAL INCOME INCREASED BY 7.5 PERCENT, SLOWED MARKEDLY BY A FALL OF 8/10 OF ONE PERCENT IN TOTAL AGRICULTURAL PRODUCTION. PRODUCTIVITY INCREASES ACCOUNTED FOR 95.3 PERCENT OF THE RISE IN INDUSTRIAL PRODUCTION. EMPLOYMENT IN THE SOCIALIZED SECTOR INCREASED BY ONLY 110,000, OR 9/10 OF ONE PERCENT. NOMINAL WAGES INCREASED BY 8.5 PERCENT, WITH REAL WAGES UP BY 3.8 PERCENT, REFLECTING A 4.5 PERCENT RISE IN THE PRICE INDEX. AGRICULTURAL INCOMES INCREASED FASTER THAN SALARIES TO OTHER SECTORS DUE TO HIGHER PURCHASE PRICES ESTABLISHED IN JULY. MONETARY INCOME ROSE BY 11.5 PERCENT, WHILE SAVINGS INCREASED BY 10.3 PERCENT.

3. SALES AND SERVICES. RETAIL SALES AND SERVICES ROSE BY 13.2 PERCENT AND INCREASES IN MONEY INCOME BY ONLY 11.5 PERCENT. (RETAIL SALES "FOR PERSONAL CONSUMPTION" ROSE BY 14.5 PERCENT.) ALTHOUGH A BREAKDOWN FOR CONSUMPTION IS NOT AVAILABLE FOR THE FULL YEAR, TEN-MONTH FIGURES SHOWED SALES OF NON-FOOD CONSUMER GOODS UP 16 PERCENT, WITH FOOD SALES UP 13 PERCENT. SALES OF MEAT AND MEAT PRODUCTS ROSE 3 PERCENT, IN SPITE OF A 6 PERCENT DECLINE IN TOTAL BUTCHERING. (MEAT IMPORTS TOTALED 42,000 TONS, AND EXPORTS WERE CURTAILED). SUGAR SALES, UNDER RATIONING SINCE AUGUST, DECREASED 4 PERCENT FROM 1975. INCREASED IN PURCHASES OF VIRTUALLY ALL LISTED CONSUMER GOODS EXCEEDED 11 PERCENT IN VOLUME TERMS, WITH SALES OF PASSENGER CARS (29 PERCENT) GROWING MOST RAPIDLY. SALES OF SHOES FELL BY 5 PERCENT, WITH DOMESTIC SALES REPRESENTING SLIGHTLY LESS THAN 50 PERCENT OF PRODUCTION. (COMMENT: IN GENERAL, IF THE INCREASES OF 1976 CAN BE SUSTAINED, THE POLES USOULD BE ABLE TO MEET THEIR 1980 TARGET FOR 66 PERCENT LIMITED OFFICIAL USE

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GROWTH, AS COMPARED WITH 1975, IN DELIVERIES OF NON-FOOD CONSUMER GOODS. END COMMENT). SALES OF SERVICES ROSE BY 13.2 PERCENT, WITH SERVICES FOR VEHICLES, CONSTRUCTION/HOUSING, AND TOURISM, GROWING BY 58 PERCENT, 27.8 PERCENT, AND 21.6 PERCENT RESPECTIVELY.

4. INDUSTRY. INDUSTRIAL PRODUCTION GREW BY 10.8 PERCENT IN 1976, EXCEEDING THE PLAN BY 60 BILLION ZLOTIES, OR BY ABOUT 2.5 PERCENT. IN VOLUME TERMS, COAL PRODUCTION ROSE BY 4.5 PERCENT, ELECTRICITY BY 7.1 PERCENT, STEEL BY 4.3 PERCENT, AND ELECTROLYTIC COPPER BY 8.7 PERCENT. SHIP PRODUCTION ROSE BY 13.4 PERCENT IN MONETARY TERMS, ALTHOUGH 11-MONTH STATISTICS HAD SHOWN A 23 PERCENT DECLINE IN SHIP TONNAGE PRODUCED. "COMMENT: THESE FIGURES REFLECT THE GREATER CONCENTRATION OF POLISH SHIPYARDS ON HIGH-VALUE LPG AND CHEMICAL CARRIERS. END COMMENT) TRACTOR OUTPUT GREW BY ONLY 2.2 PERCENT. PRODUCTION OF DURABLE CONSUMER GOODS SHOWED THE SAME MARKED RISES AS NOTED ABOVE FOR RETAIL SALES. FURNITURE OUTPUT ROSE BY 15.7 PERCENT. (COMMENT: PRESENTATION OF PRODUCTION FIGURES IN "COMPARISON" PRICES AND SALES FIGURES IN CURRENT PRICES, IN THE CASES OF FURNITURE AND TEXTILES, CONVEN-

IENTLY DISGUISES EXPORT SALES OF LARGE AMOUNTS OF THESE CONSUMER
ITEMS WHICH ARE IN SCARCE SUPPLY IN POLAND. END COMMENT).
PRODUCTION OF FERTILIZER AND SEVERAL OTHER ITEMS FELL SHORT OF
PLANNED LEVELS.

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 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
 CEA-01 AGRE-00 /081 W
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5. AGRICULTURE. TOTAL AGRICULTURAL PRODUCTION FELL BY .8 PERCENT
FROM 1975, DESPITE A 9 PERCENT INCREASE IN
PRODUCTION ON STATE AND COLLECTIVE FARMS. THE YEAR-END PIG
POPULATION WAS 22.5 PERCENT BELOW 1975, WITH THE DECLINE REACHING
29.3 PERCENT ON PRIVATE FARMS. TOTAL ACREAGE DEVOTED TO GRAIN
PRODUCTION FELL BY 1.3 PERCENT, ALTHOUGH TOTAL ACREAGE IN PROD-
UCTION REMAINED CONSTANT. SUGAR PRODUCTION WAS 6 PERCENT BELOW
1975.

6. INVESTMENT. OUTLAYS FOR INVESTMENT INCREASED BY ONLY 3.5
PERCENT OVER 1975. A MUCH LOWER PERCENT OF INVESTMENTS WENT
TOWARD CONSTRUCTION, WITH MODERNIZATION AND COMPLETION OF PROJECTS
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ALREADY UNDER WAY BEING EMPHASIZED. NINETY-TWO MAJOR PROJECTS, INCLUDING THE FIRST STAGE OF THE KATOWICE STEELWORKS, THE DOLNA ODRA POWER STATION, AND NUMEROUS CONSUMER GOODS PLANTS, WERE INAUGURATED. PRODUCTION OF THE HOUSING AND CONSTRUCTION INDUSTRIES INCREASED BY 5.8 PERCENT, WITH A 6.3 PERCENT INCREASE IN HOUSING UNITS COMPLETED.

7. FOREIGN TRADE. POLAND RAN A HIGHER DEFICIT ON ITS TRADE ACCOUNT IN 1976, AS TOTAL IMPORTS GREW BY 10.8 PERCENT, WHILE EXPORTS ROSE BY ONLY 7.5 PERCENT, OR ABOUT ONE-HALF OF THE AVERAGE YEARLY GROWTH NEEDED TO REACH THE 1980 EXPORT TARGET. POLAND STILL RAN A SLIGHT SURPLUS IN TRADE WITH ITS CEMA PARTNERS, EVEN THROUGH IMPORTS FROM THOSE COUNTRIES GREW BY 12.8 PERCENT AND EXPORTS BY ONLY 7.3 PERCENT. MORE IMPORTANTLY, IMPORTS FROM CAPITALIST COUNTRIES CONTINUED TO GROW AT A FASTER RATE THAN EXPORTS (81 PERCENT COMPARED WITH 8.3 PERCENT). POLAND'S TRADE DEFICIT WITH CAPITALIST COUNTRIES WAS THEREFORE ABOUT \$275 MILLION HIGHER THAN THE DEFICIT REGISTERED IN 1975. CLEARLY INDICATIVE OF POLAND'S NEED TO DECREASE INVESTMENT AND GROWTH RATES IN ORDER TO IMPROVE ITS TRADE BALANCE, TOTAL IMPORTS OF CAPITAL GOODS (FOR THE "ELECTROMACHINERY" INDUSTRY IN THE POLISH BREAKDOWN) ROSE BY 15.9 PERCENT. THE IMPORT OF TURN-KEY PLANTS INCREASED BY 24 PERCENT. IMPORTS OF CRUDE OIL ROSE BY 17.5 PERCENT, WITH ALL FIGURES APPARENTLY IN VOLUME TERMS. NO FIGURE IS GIVEN FOR INCREASES IN CONSUMER GOODS IMPORTS, ALTHOUGH THE REPORT MENTIONS THAT INCREASES OCCURRED FOR CARS, FRUITS, MEAT AND FURNITURE.

8. COMMENT: SINCE THE JUNE DISRUPTIONS, GOP LEADERS HAVE LISTED THEIR MAIN ECONOMIC OBJECTIVES AS:
(A) IMPROVING MARKET SUPPLIES OF CONSUMER GOODS,
(B) INCREASING PRODUCTIVITY, (C) BRINGING INVESTMENT OUTLAYS UNDER CONTROL, (D) INCREASING AGRICULTURAL OUTPUT, AND (E) ACHIEVING A BETTER BALANCE IN TRADE WITH THE WEST. ECONOMIC STATISTICS FOR 1976 SHOW THAT PROGRESS WAS MADE ON ALL BUT THE LAST TWO OF THESE OBJECTIVES. EFFORTS IN 1977 WILL PROBABLY BE LIMITED OFFICIAL USE

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CONCENTRATED ON IMPROVING POLAND'S PERFORMANCE IN THESE TWO DIFFICULT AREAS. END COMMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GNP, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977WARSAW00698
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770032-1103
Format: TEL
From: WARSAW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977015/aaaaadrb.tel
Line Count: 220
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1c2b71d9-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3591636
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC RESULTS FOR 1976: GOOD NEWS DOMESTICALLY (EXCEPT FOR AGRICULTURE), BAD NEWS INTERNATIONALLY
TAGS: EGEN, PL, XX
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1c2b71d9-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009